

Message Text

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TO AMEMBASSY TEHRAN

AMEMBASSY JIDDA

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E.O. 11652:N/A

TAGS: BGEN, EIND, ETRD, MASS, IR, SA, BR, MY, TW

SUBJECT: PUBLICATION OF INFORMATION RE NORTHROP CORP.'S
BUSINESS METHODS IN IRAN AND SAUDI ARABIA

1. SENATE FOREIGN RELATIONS SUBCOMMITTEE ON
MULTINATIONAL CORPORATIONS HAS BEEN INVESTIGATING OVERSEAS
ACTIVITIES OF MULTINATIONALS, INCLUDING METHODS OF DOING
BUSINESS, AND HAS INVESTIGATED ALLEGED PAYMENTS IN CONNECTION
WITH NORTHROP CORPORATION'S SALES ACTIVITIES IN SAUDI ARABIA,
IRAN, BRAZIL, TAIWAN, MALAYSIA, AND SOME NATO COUNTRIES.

2. NY TIMES AND WASHINGTON POST OF JUNE 6 BOTH CONTAIN
INFORMATION TAKEN FROM A REPORT BY ERNST AND ERNST
(AUDITORS), PREPARED AT THE REQUEST OF A COMMITTEE OF
NORTHROP'S BOARD OF DIRECTORS INVESTIGATING COMMISSION
PAYMENTS MADE BY THE COMPANY. THE FULL ERNST AND ERNST
REPORT IS TO BE PUBLISHED JUNE 9 BY THE SENATE SUBCOMMITTEE.

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3. TIMES STORY CITES A POSSIBLE ILLEGAL PAYMENT OF 4,400 DOLS TO AN IRANIAN TAX ASSESSOR TO SETTLE A TAX LIABILITY, TWO PAYMENTS TOTALLING 450,000 DOLS TO TWO SAUDI GENERALS (STILL UNNAMED), AND A 15,000 DOL PAYMENT TO A POLITICIAN IN INDONESIA. POST STORY ADDS INFORMATION THAT RELATES TO THE USE BY NORTHROP OF CONSULTANTS AND SALES AGENTS IN ITS OVERSEAS SALES OPERATIONS. IT CITES A PAYMENT TO SAUDI PRINCE KHALID BIN ABDULLAH AND A 5.9 MILLION DOLS COMMISSION PAID TO DENREES ET EQUIPMENTS S.A., A SWISS CORP. THAT ACTED AS CONSULTANT ON AN IRANIAN TELECOMMUNICATIONS SYSTEM CONTRACT ON WHICH PAGE COMMUNICATIONS (A NORTHROP SUBSIDIARY) WAS THE MAJOR PARTICIPANT. ACCORDING TO THE POST, THE REPORT REVEALS THAT AS PART OF THAT 200 MILLION DOL CONTRACT, 705,000 DOLS WAS PAID TO PRINCE "CHARAM" (ASSUMED TO BE SHAHRAM, SON OF PRINCESS ASHRAF) PAHLAVI, AND ANOTHER 1.14 MILLION DOLS WAS PAID BY PAGE INTO A BANK ACCOUNT "FORPAYMENTS TO INDIVIDUALS UNKNOWN TO NORTHROP/PAGE OFFICIALS".

4. TIMES ALSO REPORTS THAT NORTHROP REPRESENTATIVES FACILITATED THE FORMATION OF A SEPARATE SWISS COMPANY, ECONOMIC AND DEVELOPMENT CORP., HEADED BY ANDREAS FRORIEP (ZURICH), OVER WHICH NORTHROP HAD NO CONTROL AND FROM WHICH IT RECEIVED NO INFORMATION. PURSUANT TO EDC-NORTHROP CONTRACT, EDC RECEIVED A COMMISSION ON EACH F-5-21 SOLD WORLDWIDE OUTSIDE THE U.S. NORTHROP CONSULTANTS ARE QUOTED AS SAYING THAT EDC DISTRIBUTED STOCK TO VARIOUS PEOPLE WHO FACILITATED NORTHROP SALES IN OTHER COUNTRIES.

5. FYI ERNST AND ERNST REPORT REVEALS THAT NORTHROP PAID 150,000 DOLS ANNUALLY TO MANAGEMENT AND TECHNICAL CONSULTANTS CO. LTD. FOR CONSULTING SERVICES ON SALES TO IRAN, DEDUCTIBLE FROM COMMISSIONS SUBSEQUENTLY EARNED BY THE CONSULTANT. ALSO NOTED ARE PAYMENTS MADE TO AN UNIDENTIFIED IRANIAN ATTORNEY FOR UNDISCLOSED SERVICES AND 15,000 DOLS PAID TO AN IRANIAN CONSULTANT NAMED BIJAN, BOTH PAYMENTS MADE BY PAGE COMMUNICATIONS. END FYI

6. THE MATERIAL IS COMING OUT BIT BY BIT. WE SHALL KEEP YOU FULLY ADVISED AS SUBJECT DEVELOPS. KISSINGER
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To: TEHRAN JIDDA
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